

## **Report of Independent Accountants**

To the Management of Qwest Communications Corporation

We have examined Qwest Communication Corporation's ("Qwest" or the "Company") compliance with the payphone call tracking system requirements set forth in Appendix C of the Federal Communications Commission's ("FCC") Report and Order 03-235<sup>1</sup> (the "Order") for the period July 1, 2004 through June 30, 2005 ("Engagement Period"). Management is responsible for Qwest's compliance with those requirements. Our responsibility is to express an opinion on Qwest's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Qwest's compliance with specified requirements.

Our examination disclosed the following material noncompliance with the Order applicable to Qwest Communications Corporation for the Engagement Period:

1. The Order requires the Company to develop procedures to provide a compensable payphone call file for purposes of creating the required quarterly reports.
  - a. For the 3<sup>rd</sup> quarter of 2004 through the 1<sup>st</sup> quarter of 2005, Qwest did not report some toll-free numbers and access code numbers for its Enhanced Products.
  - b. For the 3<sup>rd</sup> quarter of 2004 and 4<sup>th</sup> quarter of 2004, Qwest incorrectly reported the name, address and phone number for some of the facilities based carriers for which Qwest was the intermediate carrier.
  - c. For the 3<sup>rd</sup> quarter of 2004 through the 1<sup>st</sup> quarter of 2005, Qwest was not providing the originating carrier's CIC code for calls passed off to Qwest and terminated by Qwest.
2. The Order requires the completing carrier to put in place adequate and effective business rules for implementing and paying payphone compensation:

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<sup>1</sup> Refers to *In the Matter of The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, Report and Order, released October 3, 2003 by the Federal Communications Commission ("FCC") and the Order on Reconsideration released October 22, 2004 by the FCC. The requirements of the Third Payphone Order are set forth in Appendix C of the above referenced Report and Order.

- a. For the 3<sup>rd</sup> quarter of 2004 and the 4<sup>th</sup> quarter of 2004, Qwest counted 1+ dialing calls originating from a payphone as compensable calls resulting in overpayments to some payphone service providers ("PSP").
- b. For the 3<sup>rd</sup> quarter of 2004 and the 4<sup>th</sup> quarter of 2004, Qwest did not pay PSPs for some completing carriers where Qwest, as the intermediate carrier, had a contract to pay on behalf of the completing carriers. Qwest subsequently paid the PSPs on behalf of the completing carrier, with interest.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Company complied, in all material respects, with the aforementioned requirements for the Engagement Period.

This report is intended solely for the information and use of Qwest and the parties specified in the Order and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

August 23, 2005



## **Report of Management on Compliance With the Federal Communications Commission's Third Payphone Order<sup>1</sup>**

Management of Qwest Communications Corporation ("Qwest") is responsible for complying with the requirements set forth in Appendix C of FCC 03-235 ("Third Payphone Order") as of the date of this report.

Management has performed an evaluation of Qwest's compliance with the requirements of the Third Payphone Order for the period July 1, 2004 to June 30, 2005 (the "Engagement Period"). Based on this evaluation, we assert that Qwest has complied with the requirements of the Third Payphone Order except as specifically noted in assertions six and nine:

During the Engagement Period, Qwest complied with the requirements of this order in the following manner:

1. Qwest has developed a system to identify and collect completed coinless access code or subscriber toll-free payphone calls to completion. Qwest uses the information digits 25, 27, 29, and 70 imbedded in the call detail record to identify a payphone originated call.
  - Code 25: Identifies a toll free service call that has been translated to a Plain Old Telephone Service (POTS) routable number via the toll free database that originated from any pay station, including inmate telephone service.
  - Code 27: Identifies a line connected to a pay station, which uses network provided coin control signaling.
  - Code 29: Prison/Inmate Service - the ANI II digit pair 29 is used to designate lines within a confinement/detention facility that are intended for inmate/detainee use and require outward call screening and restriction (e.g., 0+ collect only service).

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<sup>1</sup> The "Third Payphone Order" refers to *In the Matter of The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, Report and Order, released October 3, 2003 by the Federal Communications Commission ("FCC") and the Order on Reconsideration released October 22, 2004 by the FCC. The requirements of the Third Payphone Order are set forth in Appendix C of the above referenced Report and Order.

- Code 70: Identifies a line connected to a pay station (including both coin and coinless stations), which does not use network provided coin control signaling.
2. Qwest has designated persons responsible for tracking, compensating, and resolving disputes concerning completed payphone calls or has contracted with Billing Concepts, Inc., a third-party clearinghouse, to perform these procedures.
  3. Qwest has developed data monitoring procedures to track completed payphone records from call origination through the payphone compensation process.
  4. Qwest has established internal protocols to ensure that any software, personnel and network changes do not adversely affect Qwest's ability to track payphone call records.
  5. Qwest created a quarterly compensable payphone call file by applying logic that matched call detail records against payphone identifiers to call data to identify and select compensable payphone records.
  6. Qwest has developed procedures to provide a compensable payphone call file to Billing Concepts, Inc. for purposes of creating the following required quarterly reports:

#### Completing Carrier Reports

- a. A list of toll-free and access numbers dialed from each of the payphone service provider's payphones and the Automated Number Identification ("ANI") for each payphone with the exception of the instance noted below;
- b. The volume of calls for each number identified in "a" above that were completed by Qwest;
- c. The name, address, and phone number of the person or persons responsible for handling Qwest's payphone compensation; and
- d. The carrier identification code ("CIC") of all facilities-based long distance carriers that routed calls to Qwest, categorized according to the list of toll-free and access code numbers identified in "a" above.

#### Intermediate Carrier Reports

- a. A list of all the facilities-based long distance carriers to which Qwest switched toll-free and access code calls;
- b. For each facilities-based long distance carrier identified in "a" above, a list of the toll-free and access code numbers that all local exchange carriers have delivered to Qwest and that Qwest switched to the identified facilities-based long distance carrier;
- c. The volume of calls for each number identified in "b" above that Qwest has received from each of the payphone service provider's payphones,

identified by their ANIs, and switched to each facilities-based long distance carrier; and

- d. The name, address and telephone number and other identifying information of the person or persons for each of the facilities-based long distance carriers identified above who serves as Qwest's contact at each identified facilities-based long distance carrier with the exception of the instance noted below.

Qwest noted the following exceptions to its compliance with this payphone audit requirement:

- For the 3<sup>rd</sup> Quarter of 2004, 4<sup>th</sup> Quarter of 2004 and 1<sup>st</sup> Quarter of 2005, Qwest did not report all toll-free numbers and access code numbers for its Enhanced Products as required. The process was updated for the 2<sup>nd</sup> Quarter of 2005.
  - For the 3<sup>rd</sup> Quarter of 2004 and 4<sup>th</sup> Quarter of 2004, Qwest did not correctly report the name, address and phone number for 5% of the facilities-based carriers for which Qwest is the intermediate carrier.
  - For the 3<sup>rd</sup> Quarter of 2004, 4<sup>th</sup> Quarter of 2004 and 1<sup>st</sup> Quarter of 2005, Qwest was not providing the originating carrier's CIC code for calls passed off to Qwest and terminated by Qwest. Beginning in the 2<sup>nd</sup> Quarter of 2005, Qwest provided the originating carrier's CIC code for calls passed off to Qwest and terminated by Qwest.
7. Qwest has developed and implemented procedures and controls internally or through Billing Concepts to identify, respond to, and resolve disputes.
  8. Qwest has developed and implemented controls around the payphone tracking process to ensure the number of payphone records that fall-out of the process are insubstantial.
  9. Qwest has developed a process and business rules that accurately identify:
    - a. Payphone originated calls – see number 1 above for the criteria used by Qwest for identifying payphone traffic.
    - b. Completed payphone calls that are compensable to the payphone service providers – compensable payphone calls are determined by selecting payphone-originating traffic (information digits of 25, 27, 29, or 70) with a call duration greater than 0 (completed call) that is identified as being billable in the mediation process. Calls where Qwest is compensating on the Switch Based Reseller's (SBR) behalf are flagged during the tracking processing using a combination of the customer account identification number and alternate pricing identification. These calls are included in the compensable call file to be sent to Billing Concepts, Inc. for payment to payphone service providers.

- c. Payphone calls that are incomplete or otherwise non-compensable – Payphone originating calls that do not have a duration greater than 0 (incomplete) are excluded from compensation. Payphone service providers with an operator services contract or direct compensation arrangement with Qwest are flagged and excluded from the compensable payphone call file. In addition, 1+ dialing calls originating from a payphone that are neither a toll-free call, operator services call nor a calling card call are coin calls and are therefore non-compensable (this is new logic that was added in the 2<sup>nd</sup> Quarter of 2005).
- d. The identity of the payphone service providers to which Qwest owes compensation - the identities of the payphone service providers are determined by the reliance on an ANI list provided by Billing Concepts. The ANI list provides the information required for identifying those payphone service providers Qwest is responsible for compensating. The ANI information is the only information needed from the payphone service provider (via Billing Concepts) in order to compensate them.


Qwest noted the following exceptions to its compliance with this payphone audit requirement:

- For the 3<sup>rd</sup> Quarter of 2004 and the 4<sup>th</sup> Quarter of 2004, Qwest counted all 1+ dialing calls originating from a payphone as a compensable call, resulting in an overpayment to the payphone service providers.
- For the 3<sup>rd</sup> Quarter of 2004 and the 4<sup>th</sup> Quarter of 2004, Qwest did not pay PSPs for some completing carriers where Qwest, as the intermediate carrier, had a contract to pay on behalf of the completing carriers. The problem was corrected for the 1<sup>st</sup> Quarter of 2005 and Qwest has paid the 3<sup>rd</sup> Quarter 2004 and 4<sup>th</sup> Quarter 2004 surcharges with interest.

As of August 23, 2005, the Company asserts that the following changes to the payphone compensation process were implemented. These changes have no material impact on compliance with the Order during the Engagement Period.

- New controls were implemented by the Metered Revenue Assurance group to track payphone record counts and minutes of usage (MOU) as an additional data monitoring control

August 23, 2005

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